

Message Text

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INFO AMEMBASSY BUCHAREST
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AMCONSUL ISTANBUL
AMCONSUL IZMIR

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OECD

E.O. 11652 N/A
TAGS: EEWT, ETRD, TU, RO
SUBJ: RESULTS OF FIFTH SESSION OF JOINT TURKISH - ROMANIAN
ECONOMIC COMMISSION

1. SUMMARY. THE TURKISH-ROMANIAN JOINT PROTOCOL
SIGNED IN ANKARA ON JULY 14 BY TURKISH MINISTER OF
COMMERCE TEOMAN KOPRULULER AND ROMANIAN DEPUTY
PREMIER CORNELIU BURTICA INCLUDED FOUR MAIN FEATURES,
ACCORDING TO THE CENTRAL PRESS OF THE FOLLOWING DAY:
(1) A THREE-YEAR AGREEMENT UNDER WHICH A TOTAL OF
\$240 MILLION IN SPECIFIED ROMANIAN GOODS ARE TO BE
SHIPPED TO TURKEY ON CREDIT OF VARYING TERMS;
(2) YET ANOTHER "ACCORD" WITH RESPECT TO THE "RAPID
REALIZATION" OF THE CENTRAL ANATOLIAN PETROLEUM REFINERY
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NEAR ANKARA; (3) LETTERS OF INTENT COVERING EXCHANGES
OF GOODS BETWEEN THE TWO COUNTRIES ON A FREE CURRENCY
BASIS; AND (4) AN EXCHANGE OF LETTERS WITH RESPECT TO
"THE SETTLEMENT OF CURRENT ACCOUNTS". THIS SERIES OF
AGREEMENTS IS OF INTEREST, NOT ONLY AN INSTANCE OF TURKEY'S
CONTINUING EFFORT TO BROADEN ITS ECONOMIC AND TRADE
RELATIONS, BUT AS A REFLECTION OF THE SERIES OF PROBLEMS

STEMMING FROM TURKISH PAYMENTS DIFFICULTIES WHICH APPARENTLY PLAGUE TURKISH-ROMANIAN ECONOMIC COOPERATION. END SUMMARY.

2. THE CREDIT AGREEMENT IS TO COVER TURKISH IMPORTS OVER THE NEXT THREE-YEAR PERIOD OF THE FOLLOWING ROMANIAN PRODUCTS, UNDER VARYING CREDIT TERMS:

A. FERTILIZERS (\$25 MILLION), CHEMICALS (\$ 9 MILLION), AND NEWSPRINT (\$10 MILLION), A TOTAL OF \$38 MILLION ON ONE YEAR PAYMENT TERMS.

B. MACHINE TOOLS, ELECTRIC MOTORS, AND BEARINGS (WORTH \$2 MILLION, TO BE FINANCED OVER A TWO-YEAR PERIOD).

C. TRACTORS (\$26.5 MILLION) AND TRANSFORMERS (\$3.5 MILLION), A TOTAL OF \$30 MILLION, TO BE FINANCED OVER A 3-4 YEAR PERIOD.

D. THREE MILLION DOLLARS WORTH OF CONSTRUCTION MACHINERY, UNDER 5 YEAR TERMS.

E. DUMP TRUCKS, BUSES AND OTHER MOTOR VEHICLES VALUED AT \$7 MILLION, UNDER 7 YEAR TERMS.

IN EACH OF THESE CATEGORIES, A ONE-YEAR GRACE PERIOD LIMITED OFFICIAL USE

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APPLIES. A 15 PERCENT DOWN PAYMENT BY TURKEY IS REQUIRED AND IS TO BE PAID IN GOODS. AN ANNUAL INTEREST RATE OF 7.5 PERCENT WILL ALSO APPLY.

3. THE AGREEMENT WITH RESPECT TO THE "RAPID REALIZATION" OF THE CENTRAL ANATOLIAN REFINERY, ON WHICH AGREEMENT WAS ORIGINALLY REACHED MORE THAN A YEAR AGO, APPEARS TO HAVE BEEN A FURTHER EFFORT BY THE ROMANIANS TO PIN THE TURKS DOWN ON PAYMENT CONDITIONS. A \$9 MILLION ADVANCE PAYMENT BY THE TURKS WAS ORIGINALLY REQUIRED, ONLY \$6 MILLION OF WHICH WAS ACTUALLY MADE. THE AGREEMENT ON THE REFINERY APPARENTLY WILL NOT BE IMPLEMENTED UNTIL THE BALANCE IS PAID; AN ADDITIONAL \$52 MILLION MUST ALSO BE TRANSFERRED WITHIN THE NEXT YEAR BEFORE THE STIPULATED DOWN PAYMENT WILL HAVE BEEN COMPLETED.

4. ALSO DISCUSSED IN THE CONTEXT OF ECONOMIC COOPERATION WERE (1) THE PURCHASE BY TURKEY OF 20 DRILLING RIGS WORTH \$56 MILLION AND FOUR HEAVY-DUTY RIGS WORTH \$22 MILLION, ALL ON UNSPECIFIED CREDIT TERMS; (2) JOINT EXTRACTION OF COAL IN ANTALYA REGION, LIGNITE NEAR ANKARA AND TEKIRDAG, AND ENRICHMENT OF PHOSPHATES EXTRACTED FROM THE MAZIDAGI

FIELDS, AND (3) THE OFTEN MENTIONED ANKARA CENTRAL HEATING PROJECT, WHICH WILL BE THE SUBJECT OF CONTINUING STUDIES BY THE TWO SIDES.

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5. IN ADDITION TO TURKISH IMPORTS SPECIFIED IN THE CREDIT AGREEMENT (PARA. 2), LISTS OF GOODS TO BE EXCHANGED ON A FREE CURRENCY BASIS WERE PUBLISHED. ANNUAL TURKISH IMPORTS ARE PLANNED AT ROUGHLY \$110 MILLION, WHILE ROMANIA IS EXPECTED TO TAKE ABOUT \$133 MILLION OF TURKISH EXPORTS. OF ABOUT 35 ITEMS OF TURKISH EXPORTS PLANNED, THE PRINCIPAL ONES ARE COTTON (\$35 MILLION), WHEAT (\$13 MILLION, IF STOCKS PERMIT), CITRUS FRUITS (\$10 MILLION), AND A VARIETY OF TRADITIONAL TURKISH EXPORT PRODUCTS IN SMALLER VOLUMES INCLUDING AGRICULTURAL PRODUCTS, NON-FERROUS METALS AND NOMINAL AMOUNTS OF INDUSTRIAL PRODUCTS. MAIN TURKISH IMPORTS FROM ROMANIA WILL BE FERTILIZERS (\$25 MILLION), TRACTORS (\$15 MILLION), NEWSRING (\$10 MILLION) AND DRILLING ROD (\$10 MILLION). THE REMAINING 20-ODD ITEMS SPECIFIED ARE MAINLY PRODUCTS OF LIMITED OFFICIAL USE

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ROMANIA'S ELECTRO-MECHANICAL, IRON AND STEEL AND PETROCHEMICAL INDUSTRIES. THERE WAS ALSO A VAGUE REFERENCE TO TURKISH IMPORTS OF GASOLINE AND FUEL OIL FROM ROMANIA IN AMOUNTS TO BE DETERMINED FOLLOWING A STUDY OF ROMANIA'S POTENTIAL FOR THE FOLLOWING YEAR.

6. ALSO VAGUE WAS THE SUBSTANCE OF THE FOURTH AND FINAL PART OF THE PROTOCOL PERTAINING TO THE "SETTLEMENT OF CURRENT ACCOUNTS". THIS PRESUMABLY CONCERNS TURKISH ARREARS TO ROMANIAN TRADING PARTNERS, A PRESUMPTION SUPPORTED BY A TURKISH OFFICIAL'S REPORTED STATEMENT TO THE EFFECT THAT A TOTAL OF \$106 MILLION "WHICH TURKEY HAD FAILED TO TRANSFER TO ROMANIA" HAD BEEN SETTLED.

7. COMMENT. ALTHOUGH THE OCCASION FOR THIS MEETING WAS A ROUTINE ONE -- THE FIFTH SESSION OF THE JOINT TURKISH-ROMANIAN ECONOMIC COMMISSION -- ITS RESULTS WERE SOMEWHAT OUT OF THE ORDINARY, IN OUR VIEW. PARTICULARLY INTERESTING IS THE ROMANIAN COMMITMENT TO A 3-YEAR PROGRAM CREDIT OF \$240 MILLION, PARTS OF WHICH COULD EXTEND OVER TEN YEARS, TAKING INTO ACCOUNT THE THREE-YEAR PERIOD OF THE AGREEMENT, THE ONE-YEAR GRACE PERIOD, AND THE SEVEN-YEAR PAYMENT TERM THAT REPORTEDLY APPLIES TO SOME ROMANIAN EXPORTS SPECIFIED. THIS CREDIT WILL BE A WELCOME, IF RELATIVELY SMALL, CONTRIBUTION TO AN EASING OF TURKEY'S ACUTE EXTERNAL FINANCIAL PROBLEMS.

8. ALSO NOTEWORTHY -- AND PERHAPS NOT SO ENCOURAGING -- ARE THE OBVIOUS PROBLEMS ASSOCIATED WITH IMPLEMENTATION OF THE CENTERPIECE OF TURKISH-ROMANIAN ECONOMIC COOPERATION, THE CENTRAL ANATOLIAN REFINERY. SINCE

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THIS PROJECT FIRST SURFACED TWO YEARS AGO IT HAS BEEN PLAGUED BY PAYMENTS DIFFICULTIES, AND THE ROMANIANS (WHO ARE SUPPLYING SOME FRENCH AS WELL ROMANIAN EQUIPMENT) HAVE BEEN FORCED RELUCTANTLY TO POSTPONE IMPLEMENTATION PENDING RECEIPT OF SCHEDULED TURKISH PAYMENTS. (WE UNDERSTAND SITE PREPARATION WORK, LARGELY BY TURKISH ENGINEERS, IS PROCEEDING.) WE BELIEVE THE TURKISH COMMITMENT TO TRANSFER OVER \$50 MILLION TO THE ROMANIANS WITHIN THE NEXT YEAR TO COMPLETE THE REQUIRED INITIAL PAYMENT IS AN UNREALISTIC

ONE IN PRESENT CIRCUMSTANCES, AND FURTHER SLIPPAGE
WILL PROBABLY OCCUR. DILLON

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